A community bank's digital transformation: Process, people and branding — implementing a purposeful digital banking strategy that puts people first

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Abstract When faced with expanding digital service offerings, community banks tend to fall into one of three categories: do nothing, do only what their core processor allows for or do what helps bolster the bank's client experience. Unfortunately, the third option is used by the fewest banks. Client needs are what should drive technological upgrades. That requires clearly identifying client expectations and objectives, as well as utilising an agile, fast-fail workflow approach. From there, banks must ensure people within the organisation are positioned to embrace each new digital offering, allowing findings to funnel and inform the brand's ideal customer journey. This paper analyses how community banks' digital offerings can compete with those of both big banks and FinTechs. The paper describes how banks must define clear objectives based on meeting customer needs. It recommends using a client-centric approach with digital transformation.

KEYWORDS: digital banking operations and services, customer service and user experience

INTRODUCTION

Historically, the success of the community banking industry has been defined by differentiating its offerings from big banks, being able to provide personalised service, and a deep understanding of local markets, leading to increased market share. That is no longer enough. Insight is critical, but clients prioritise technology-driven convenience. Fast loan approvals and real-time deposits are now an expectation. Consumers bring their business to the banks that provide the latest tech-based services. Many community banks recognise consumer demand but do not know how to compete with the gigantic tech budgets of mega banks or the technological agility of FinTechs. Many in the industry question whether community banks can keep up and compete in offering high-tech solutions.

Community bankers should know they absolutely can compete, but only if they use a tailored, customer-centric approach — the same approach that has always led to the segment's success. Many point to mega banks' deep pockets and bemoan the fact that community bank budgets are not enough to keep up with digital demands. Budgets are a limiting factor, but that argument ignores the small FinTech solutions that help them compete quite successfully with the large banks. They are certainly not working with the same large resources.

Instead of decrying rapid change, there should be an embrace of its potential. Technology is a democratising force. It can, in fact, reduce the service gap between big and small organisations. Community banks cannot buy the whole suite of services available, but that does not close off the entirety of what is out there. Smaller banks simply need to make smart choices about the specific type of tech services they provide. These offerings should be consistent with the bank's brand and meet customer needs. Crucially, there are many ways to expand a bank's range of digital offerings; sometimes a solution needs to be built, and sometimes a solution can be integrated into the system that is already in place. Good ideas are not always expensive, and billion-dollar budgets are not automatically efficient or effective. First Interstate Bank realised that delivering a contextual, effortless experience meant looking to a platform that could scale to meet its needs but that would not require a huge initial investment. This allowed it to develop new capabilities while learning as it developed. Working from a platform that allows you to scale your efforts with some ability to manage the user experience elements gives organisations great flexibility in creating a look and feel that aligns with their brand beyond just logos and style guides.

When faced with expanding digital service offerings, community banks tend to fall into one of three categories: do nothing, do only what their core processor allows for or do what helps bolster the bank's client experience. Unfortunately, the last option is one that is used by the smallest percentage of banks. Client needs are what should drive each technological upgrade. That requires clearly identifying client expectations and objectives, as well as utilising an agile, fast-fail workflow approach. In addition, the people within the organisation should be positioned to embrace the new technology, and findings should be allowed to funnel and inform the brand's ideal customer journey. That is the winning formula for successful digital transformation in community banks.

First Interstate Bank identified the need for its clients to have a better experience when applying for a mortgage. Its brand pillars focused on delivering a personal, effortless experience, and it realised that buying point solutions for each individual line of business would not only be costly but would also make delivering an effortless experience difficult. It decided to invest in a platform that it could build on utilising the agile, fast-fail approach. It was able to deploy an initial version of a new mortgage application portal in four months and to continue to release improvements to the portal on a monthly cycle. This allowed it to take advantage of a favourable rate environment, resulting in significant increases in the number of applications received and greater client satisfaction.

PROCESS: PRIORITISE CUSTOMER-CENTRIC DIGITAL TRANSFORMATION

Community banks must use a customer-centric approach when implementing digital change. Banks must think beyond their core processor and offer what customers want most, not what is easiest to execute. That means understanding the pain points of the customer experience journey, making clear objectives, executing quickly and equipping a 'fast-fail' mindset.

Only then can community banks successfully digitise the processes impacting on the most important client experiences.

Identify client expectations

Before any internal digital efforts begin, banks must be able to answer the question 'What do my clients want?' It is not enough to assume or, even worse, rely on traditional banking service models. Client expectations have changed in this digital age. They no longer compare their customer experience with that in other banks. They increasingly expect the same kind of immediacy, personalisation and convenience that they receive from Google, Zappos, Starbucks and Amazon. This applies to every part of the client experience, including branch services, mobile apps and online offerings.

Understanding the existing customer journey becomes critical. Banks need to break down the complete, end-to-end experience that clients have with their organisation in order to capture each progressive interaction and touchpoint (eg entering a branch, prequalification on mortgage applications, customer service calls). Armed with this information, banks can begin to isolate the pain points that hurt customer satisfaction. Once there is an understanding of the specific wait time, lack of personalisation or gap in expectations that is hurting customer satisfaction, digital solutions can be introduced to resolve them.

Determining objectives

Once a bank has determined the critical interaction or experience that is important to customers, the next step is to focus on how to improve that process. That should be at the centre of every digital transformation. Designing supporting processes needs to have a focus. Isolating the important impacts and outcomes of these efforts for customers and internal teams dramatically increases chances of success.

Successful digital transformations also need clearly defined stakeholders and decision makers. Design by committee is not the quickest way to move forward, and customers expect solutions yesterday. Make sure the right people are in the room and that they are open and intellectually honest.

Even with smaller teams and executive champions, it is easy to get sidetracked, and the expectations of so many cooks can be difficult to manage. The solution is to be clear on objectives from the very beginning. Establish consensus and capture objectives early, then display them prominently in every meeting. Restating goals continually will insulate teams from the inevitable pressures of scope creep.

Determining clear, focused objectives is also helpful in justifying the implementation. Many digital transformations stall because leaders cannot demonstrate the value to the customer or the success of the outcomes. Vague initiatives to delight customers can end up having high costs and unclear results. By defining a specific target outcome, banks can focus on customer satisfaction issues with the highest payouts and create an explicit link to value.

Agile, fail-fast workflow

Conservative development has historically defined banking, but to stay competitive in the increasingly digital marketplace there is a need to be quick and adaptive. Digitising processes quickly and successfully requires an agile, fail-fast mentality. In traditional banking, an internal project could easily take 12–18 months, but that is now unrealistic in relation to the goal of satisfying growing customer demands and internal expectations. What can be launched in six months?

Stakeholders need to think differently, be agile and get comfortable with failing fast. This workflow approach keeps customers' needs and objectives in focus while breaking down the development process into smaller parts. Problems are identified sooner, and solved more quickly, leading to a finished product in the shortest time possible. The goal should be to establish a minimal viable product. If it is stable, meets objectives and satisfies the customer's need, launch it. A new process does not need all the bells and whistles. If banks wait for perfection, they will find themselves behind as new customer needs and functionalities are identified.

This workflow approach is essential in addressing underlying customer experience issues quickly and under budget.

PEOPLE: COMMUNICATING TOWARDS A MINDSET SHIFT

Organisational change is possible only with engaged employees who understand the organisation's brand promise and goals. This is especially true with digital process improvements. Front-line staff need to be confident in their interactions with consumers and new processes to harness the positives that banks are trying to capture. Successful digital transformations engage staff at every level, ensuring that the entire organisation is willing and able to put new digital offerings to work.

Communication is critical

Without clear, regular communication, banks are unable to smoothly improve digital processes. This requires effective internal messaging — both intergroup and interorganisational — as well as external outreach. Good communication practices make successful launches possible.

Intergroup communication around specifications, issues and progress is crucial for both the developer and the product. Without them, community banks may end up with bad or even completely wrong solutions. There is no way around meetings and communication; an agile model does not mean stakeholders are wholly independent and can work siloed. There is a critical need to share progress and challenges constantly. A cross-functional team works well only when everyone is on the same page and can address issues that do not meet established objectives. Stakeholders need to be involved throughout the entire workflow. Conflicts will arise and concessions should be made, but not at the expense of the initial objectives set. Business partners should not be afraid to reference those initial objectives to address scope creep and ensure appropriate project direction.

Interorganisational communication is just as critical. Most teams look beyond themselves too late in the development process. Early communication across the organisation about technological improvements and digital offerings creates buy-in and anticipation. Training plans should be implemented well in advance of launch, giving employees time to be comfortable. Do not develop a great offering only to have it fail because not enough time and resources were dedicated to a successful launch.

Do not be so eager to adopt new technologies that it creates inefficiencies for internal teams. Change is enough of an obstacle; new processes should not be a hindrance. Technology should enable employees to do their jobs better, deliver a positive client experience and stay engaged. If it is good for the client and bad for the employee, it is likely that community banks will not move forward.

A community bank's customer satisfaction depends on a collective sense of conviction and purpose from employees. If individuals across the organisation do not see the value in what is being offered to the customer or do not know how to put new tools to work for customers, the implementation has failed.

Stakeholders need to be able to answer what is being done internally to support the change.

Lastly, banks must promote new offerings to customers. They should know how much an organisation is investing to make their customer service experience better. It will help strengthen client relationships and lead to broader buy-in and immediate bottom-line impact.

Recognising the challenge of mindset shift

Change is inherently difficult. Do not make it harder by underestimating the mindset shift that has to occur in a bank when improving systems. Successful digital teams often spend as much time counselling people through change as they do when engaged in product development. This is especially true if those impacted are in traditional banking roles.

It is essential to get human resources involved early. Updating digital processes should make things easier for employees, but it can add new responsibilities. Updating job descriptions can establish baseline expectations. In addition, many tools are available to help educate staff about new processes. Lastly, notify managers and directors early of any potential job changes. Early contact can help ensure team leaders become allies instead of obstacles.

BRANDING: DIGITAL EXPERIENCES FULFIL BRAND PROMISES

Digital improvements to a bank should be mindful of that organisation's brand promise. Ideally, an organisation's values are delivered through the customer experience it provides. A brand sets customer's expectations for that experience, and any digital process improvements should fulfil those brand promises.

It follows that a bank's brand and market positioning should play a significant role in the design of a bank's digital offerings. Small banks are typically recognised for their strong community focus and personal interaction. Other organisations may have other brand strengths, such as loyalty, consistency, responsiveness to local community needs. Community banks need to emphasise these qualities in a customer's digital journeys to compete with big banks.

Stakeholders should be able to articulate brand promise. Internal marketing teams can be a great resource to rely on. Sharp organisations leverage footprint-wide surveys of internal teams, client focus groups and supporting qualitative and quantitative research to identify the critical elements of a bank's service. Focus on those to make the biggest impact on customers.

Contact centre channel

More often than not, contact centre solutions do not meet community banks' brand promises. For many institutions call centre groups still serve as a switchboard, with no digital platform to handle customer inquiries. Call centre volumes are increasing across the industry as customers expect quick solutions to their banking needs. They expect an empowered, effective customer service representative who can quickly resolve their issues. Instead, clients are bounced and redirected across different departments, with long wait times and unmet needs. At times the friction for customers can be too much to handle, and this is typically seen in organisations with specialised support teams for a particular product. Mortgage servicing, credit cards or treasury solutions are examples of these types of specialised support teams. If there are no clear procedures or alignment among these support teams and the contact centre, a client's experience can be very disjointed, with cold hand-offs and decreasing rates of first call resolution between the contact centre agents and the support teams.

For community banks, this means broader internal training efforts, third-party vendor partners that provide a virtual and secure branch experience, simplification of call software and increased, seamless security protocols to ensure customers' information is safe. One example of this was a move to a simplified contact centre support platform that allowed for better skills-based call routing combined with an effort to 'tier' support with clear guidance on what issues can be handled by the contact centre or by specialised support teams. Additionally, procedures for warm hand-offs were introduced in order to smooth the experience for clients and with the expectation of significant improvements in efficiency and satisfaction rates, including lower wait times and a dramatic reduction in abandonment rates.

CONCLUSION

Community banks' digital offerings can compete with those of both big banks and FinTechs. It requires banks to understand clients' pain points and their organisation's brand promises and to define clear objectives based on meeting customer needs while reducing friction for employees. Even though the digital age has changed much of how banks do business, using a client-centric approach with digital transformation will lead to success.